



**STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING**

**JENNIFER M. GRANHOLM  
GOVERNOR**

**ROBERT J. KLEINE  
STATE TREASURER**

**TO: Participating Schools and Lenders**

**FROM: Diane Todd Sprague, Director** 

**DATE: January 19, 2007**

**SUBJECT: Educational Loan Notes**

**DEFAULT AVERSION SYMPOSIUM II MATERIALS AVAILABLE ON WEB SITE**

On Tuesday, November 21, 2006, the Michigan Guaranty Agency (MGA) hosted the second installment of its Default Aversion Symposium Series entitled, "Methodologies, Research, and Exploration: Getting Help to Those Who Need It Most." Presentations by Dr. Sandy Baum, Professor of Economics at Skidmore College and Senior Policy Analyst for the College Board, and Justin Draeger, Assistant Director for Communications at the National Association of Student Financial Aid Administrators (NASFAA), were videotaped, and the presentations are available on our Web site at [mgaloan.com](http://mgaloan.com) by clicking on "Financial Aid Professionals" and then "Default Aversion Symposium II." Written transcripts of the presentations and notes from the breakout sessions are also available. If you were unable to attend the symposium, the presentations provide good information on the importance of research in the default aversion process. Notebooks from the symposium are also available from Stacy Cardwell ([cardwells@michigan.gov](mailto:cardwells@michigan.gov) or 1-800-642-5626, extension 36074).

The third installment of the symposium series titled, "A Holistic Approach to Default Aversion," is scheduled for April 5, 2007, at the Kellogg Center in East Lansing. This segment will focus on the many dynamic and interdependent pieces of the default aversion puzzle. When financial aid administrators work in tandem with other parties who have a vested interest in student success, a synergistic approach develops which yields highly efficient and successful results. Participants will explore potential partners in default aversion (even those outside of higher education), how to get the best results with partners, and new tactics to help bolster a school's default aversion efforts. More information on this symposium will be forthcoming.

As a reminder, materials from the first symposium titled, "[Understanding and Treating the Underlying Causes of Default](#)," including video presentations of Ms. Laura Levine, Executive Director of the National [Jump\\$tart Coalition](#), and Mr. Carl George, who at that time was chair of the [National CPA Financial Literacy Commission](#) and CEO of Clifton Gunderson LLP, are also available on MGA's Web site. A limited supply of notebooks from the first symposium are also available.

If you have any questions concerning the Default Aversion Symposium series, please don't hesitate to contact Toots Lapata-Victorson at extension 30296 or via email at [victorsont@michigan.gov](mailto:victorsont@michigan.gov).



**INSIDE THIS ISSUE**



<i>Customer Services Manager Retires.....</i>	<i>Page 2</i>
<i>2006-2007 Michigan Postsecondary Handbook .....</i>	<i>Page 2</i>
<i>College Goal Sunday.....</i>	<i>Page 2</i>
<i>Notice from ED.....</i>	<i>Page 3</i>
<i>ED Region 5 Offices Have Moved .....</i>	<i>Page 4</i>
<i>FTC Develops Identity Theft Web Site.....</i>	<i>Page 4</i>
<i>Bankruptcy Filings Decline in 2006 .....</i>	<i>Page 4</i>
<i>Form 1098-E Reporting for Lenders .....</i>	<i>Page 5</i>
<i>2007 PLUS/SLS Variable Interest Rate 91-Day Treasury Bill Method .....</i>	<i>Page 5</i>
<i>Lender List Updates .....</i>	<i>Page 5</i>
<i>School List Updated.....</i>	<i>Page 5</i>
<i>"Q" and "A" .....</i>	<i>Page 6</i>
<i>Calendar of Upcoming Events .....</i>	<i>Page 7</i>

### **CUSTOMER SERVICES MANAGER RETIRES**

Linda Sanchez, formerly manager of MGA's Customer Services Unit, retired effective December 29, 2006. Linda joined the MGA team in November 2002 and was a valuable employee known for her cheery personality, high energy, and willingness to help. She is currently enjoying her newly acquired free time in sunny Florida and will return to Michigan in April. She plans to stay in Michigan during the summer months and bask in the Florida sunshine each winter. Linda will be missed, but we wish her the best and congratulate her on her retirement.

### **2006-2007 MICHIGAN POSTSECONDARY HANDBOOK**

Financial aid directors should have received their copy of the *2006-2007 Michigan Postsecondary Handbook*. The handbook has a new look this year. We have moved away from the various colored sections by using tabs to differentiate the sections. In addition, since we will be providing program information every other year, we have separated the profile pages from the program information in order to improve the efficiency of updating the handbook.

The handbook contains all new material except for the program information for the Michigan Public Community Colleges, Public Four-Year Universities, and the Independent Colleges and Universities. **Please remove the program information from your 2005-2006 Michigan Postsecondary Handbook and place it behind the appropriate tabs in the 2006-2007 handbook.**

PLEASE NOTE: There are a few schools that did not provide program information last year. Fortunately, we were able to obtain the information this year. You will find their program information behind the appropriate program tabs. Please alphabetize these within the 2005-2006 program information. As a reminder, the Paying for College Web site, [www.michigan.gov/studentaid](http://www.michigan.gov/studentaid), contains a quick

link to the [electronic handbook](#). The electronic handbook contains the most up-to-date program information.

Questions regarding the handbook may be directed to Patty Hill. Contact Patty at extension 36051 or via email at [hillpl@michigan.gov](mailto:hillpl@michigan.gov).

### **COLLEGE GOAL SUNDAY – FEBRUARY 11, 2007**

College Goal Sunday is fast approaching. With 27 locations across Michigan, interested students and parents should be able to obtain free professional assistance with completing the Free Application for Federal Student Aid (FAFSA) with minimal travel time. The event runs from 2:00 to 4:00 p.m. on Sunday, February 11, 2007.



Students and parents are reminded to bring:

- Social Security Number
- Driver's license
- Alien Registration Card, if applicable
- 2006 Federal Income Tax Return for student and parent(s)
- 2005 Federal Income Tax Return, if 2006 tax return hasn't been completed
- 2006 Untaxed Income Records
- 2006 Bank Statements
- 2006 business and investment information

New for this year is the opportunity to win a \$50 Barnes & Noble gift card. Each location will be giving away one of these gift cards. In addition, ten individual \$200 scholarships and one \$1,000 scholarship will be given away. To qualify for a scholarship, the student must attend one of the College Goal Sunday locations and complete a short survey. The scholarship is non-transferable. The student must enroll at an accredited postsecondary institution within

(Continued on the next page.)

18 months of winning. The scholarship funds are paid directly to the educational institution of choice.

For more information on College Goal Sunday including the 27 locations, please access our Web site at [www.michigan.gov/studentaid](http://www.michigan.gov/studentaid) and click on the College Goal Sunday pennant located in the left side navigation bar.

### **NOTICE FROM THE U.S. DEPARTMENT OF EDUCATION**

The following notice from the U.S. Department of Education (ED) was posted as an Electronic Announcement on the [Information for Financial Aid Professionals \(IFAP\)](#) Web site on December 29, 2006.

“At this time, the Department's Fiscal Year 2007 appropriations bill has not been approved by Congress and we are currently operating under a Continuing Resolution through February 15, 2007. Until the Fiscal Year 2007 appropriations bill has been signed by the President, the final 2007-2008 Award Year minimum and maximum Federal Pell Grant award amounts cannot be established and we cannot finalize the 2007-2008 Award Year Federal Pell Grant Program Payment and Disbursement Schedules. Similarly, until we have a Fiscal Year 2007 appropriations we cannot make 2007-2008 Final Awards for the Campus-Based Programs.

#### **Impact on the Central Processing System (CPS)**

“When the CPS begins processing for the 2007-2008 Award Year on January 3, 2007, we will use the current maximum Expected Family Contribution (EFC) of \$3,850 to establish Federal Pell Grant eligibility, and our systems will assume the current maximum Federal Pell Grant award amount of \$4,050 and current minimum award amount of \$400. After the Department's Fiscal Year 2007 appropriations bill is signed by the President, we will, if necessary, reprocess any CPS records for any students who may then become eligible or ineligible for a Federal Pell Grant. New 2007-2008 Student Aid Reports (SARs) and Institutional Student Information

Records (ISIRs) will also be generated for students impacted by any reprocessing that may occur.

#### ***Note for EDEExpress Packaging Users***

“Users of the EDEExpress Packaging module should note that EDEExpress for Windows 2007-2008, Release 1.0, will use the 2006-2007 Award Year Federal Pell Grant Payment and Disbursement Schedules that reflect a maximum Federal Pell Grant award amount of \$4,050 and a minimum award amount of \$400. After the Department's Fiscal Year 2007 appropriations legislation is finalized, we will, if necessary, update the Federal Pell Grant Program Payment and Disbursement Schedules in EDEExpress through a future release of the EDEExpress software.

“For packaging purposes, until we have issued the 2007-2008 Federal Pell Grant Program Payment and Disbursement Schedules you may want to use the 2006-2007 Federal Pell Grant Program Payment and Disbursement Schedules to estimate a student's Federal Pell Grant award for the 2007-2008 Award Year.

#### **Impact on the Common Origination and Disbursement (COD) System**

“At this time, the COD System will remain unchanged. After the Department's Fiscal Year 2007 appropriations legislation is finalized, we will update the Federal Pell Grant Program Payment and Disbursement Schedules in the COD System for 2007-2008.

#### **Impact on the Campus-Based Programs**

“We will base the 2007-2008 Campus-Based Tentative Award funding levels on the amounts contained in the Department's Fiscal Year 2006 appropriations legislation. Some portion of those amounts will be held in reserve to accommodate adjustments to the school FISAP database.

#### **Contact Information**

“If you have questions, contact Federal Student Aid's Research and Customer Care Center (RCCC) at 800/433-7327, 202/275-5532 (fax), or by e-mail at [fsa.customer.support@ed.gov](mailto:fsa.customer.support@ed.gov).”

**ED REGION 5 OFFICES HAVE MOVED**

The Chicago office of the School Participation Team-NW and the Regional Training Facility (RTF) moved to new facilities on January 11, 2007. The new office address is:

U.S. Department of Education  
Federal Student Aid  
Program Compliance  
School Participation Team-Chicago  
500 West Madison, 15<sup>th</sup> Floor  
Chicago, IL 60661  
Main Phone - 312-730-1511  
Main FAX - 312-730-1520

The Office of the Inspector General-Chicago has also relocated, and their updated address is:

United States Department of Education  
Office of Inspector General-Chicago  
500 W. Madison Street, Suite 1414  
Chicago, IL 60661  
Main Phone - 312-730-1630  
Main FAX - 312-730-1626

**FTC DEVELOPS  
IDENTITY THEFT WEB SITE**

The Federal Trade Commission's (FTC) national education campaign - **Avoid Theft: Deter, Detect, Defend** - aims to empower consumers to protect themselves against identity theft and to minimize the damage it can cause. Through the program, the FTC provides necessary tools to enable anyone – regardless of existing knowledge about the issue – to effectively educate others. Working with other government agencies and organizations, the FTC has developed a Web site <http://www.ftc.gov/bcp/edu/microsites/idtheft/> to educate consumers about identity theft.

The FTC is seeking partners in its fight against identity theft. Any organization or individual can become a partner, and using the FTC's partner resources, can raise awareness and educate their community. The FTC has created a suite of materials for its partners. Partners may choose to order kits and brochures, download items to distribute or post online, co-brand and print the materials with your organization's logo, or even design your

own materials using the FTC's information. To review the materials visit <http://www.ftc.gov/bcp/edu/microsites/idtheft/become-a-partner.html>. To order hard copies of the complete kit from the FTC, email [idtheftkit@ftc.gov](mailto:idtheftkit@ftc.gov)

**BANKRUPTCY FILINGS  
DECLINE IN FY 2006**

Bankruptcy cases filed in federal courts tumbled in Fiscal Year (FY) 2006. The federal Judiciary's fiscal year is the 12-month period ending September 30. Filings for the Judiciary's fourth quarter, the three-month period ending September 30, 2006, fell 68.4 percent from the final quarter of FY 2005.

The FY 2006 figures include most of the filings that were part of the surge in filings prompted by the October 17, 2005, implementation date of the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005. The filings began to rise in late FY 2005 and peaked in October of 2005.

Filings in Michigan, while decreased, did not drop as much as national filings. When considering only individual (non-business) filings for Chapter 7 and Chapter 13, the two most common, national numbers dropped 37.9 percent to 1,084,549 filings for FY 2006, while Michigan filings were down 30 percent to 52,414. These declines followed the predicted surge in filings many say was the result of the changes to bankruptcy law that made it harder for consumers to qualify for protection. National filings for these categories were up 10.4 percent to 1,747,555 filings and in Michigan were up 18.5 percent to 74,893 filings in FY 2005. Both of these were record highs.

While most student loan debt is not affected by bankruptcy filings, this reduction in individuals seeking legal means of relief may indicate that borrower ability to repay obligations has improved or at least that the worst is over. To a borrower, this could equate to being able to afford repayment terms, qualify for rehabilitation, and retain or regain eligibility for additional funding to continue their education.

### **FORM 1098-E REPORTING FOR LENDERS**

Lenders and lender servicers are reminded that they are required to file Form 1098-E if they received interest payments of \$600 or more in 2006 on one or more qualified student loans. A statement of interest received must be provided to each borrower by January 31, 2007, on paper or in an electronic format. For loans made on or after September 1, 2004, lenders and lender servicers are required to include loan origination fees and capitalized interest in box 1 on Form 1098-E. Additional items that can be included as student loan interest deduction, if all other requirements are met, include:

1. Loan origination fee.
2. Capitalized interest on revolving lines of credit (if student uses line of credit [credit card] only to pay qualified education expenses).
3. Interest on refinanced student loans.
  - a. Consolidation loans.
  - b. Collapsed loans – two or more loans of the same borrower that are treated by both the lender and the borrower as one loan.

If you have questions, please contact Betty Calloway at extension 39639 or via email at [callowayb@michigan.gov](mailto:callowayb@michigan.gov).

### **2007 PLUS/SLS VARIABLE INTEREST RATE 91-DAY TREASURY BILL METHOD**

ED has announced a PLUS/SLS variable interest rate of **8.52** percent (4.77% [the 91-day T-bill average] + 3.75%) for the 2007 calendar year. This rate applies only to those PLUS/SLS promissory notes that provide for a calendar year adjustment based on the “91-day Treasury Bill” method. A copy of ED’s Dear Partner letter making this announcement may be

retrieved from <http://ifap.ed.gov/ffelvarrates/PLUSLSVariableInterestRatefor200791dayTreasuryBillMethod.html>.

If you have questions regarding this matter, please contact Betty Calloway at extension 39639 or via email at [callowayb@michigan.gov](mailto:callowayb@michigan.gov).

### **LENDER LIST UPDATES**

School personnel continuing to use their paper copy of MGA’s “Participating Lender List” should record the following actions on the list dated May 12, 2006. Please make the appropriate changes in all sections of the list as needed.

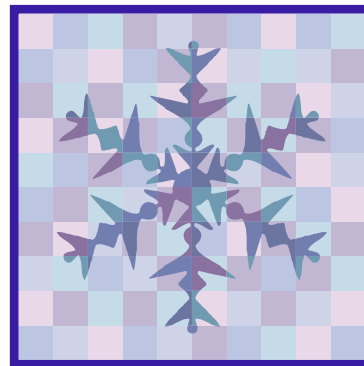
To access the most current lender information and eliminate the need for manual updates, use the electronic version of MGA’s “Participating Lender List” available at [mgaloan.com](http://mgaloan.com). Select “Financial Aid Professionals,” and then “FAA Resources.” If you have any questions regarding these updates, please contact Pat Fromm at extension 36076 or via email at [frommp@michigan.gov](mailto:frommp@michigan.gov).

### **Lender Servicer Name Change**

**LoanSTAR Services Inc., 700144**, has changed its name to Nelnet, Inc. d/b/a LoanSTAR.

### **UPDATED SCHOOL LIST COMING SOON**

A new “Active Michigan School List” will be mailed to lenders later this month. If you have any questions, please contact Stacy Cardwell at extension 36074 or via email at [cardwells@michigan.gov](mailto:cardwells@michigan.gov).



**“Q” AND “A”****MULTIPLE SCHOOL ENROLLMENTS****What are the eligibility requirements for a student to attend multiple schools?**

A student may be enrolled simultaneously on at least a half-time basis in more than one school. The student may be eligible to receive a Stafford loan along with a Grad PLUS loan, if applicable. The parent of a dependent student may be eligible to receive a PLUS loan at more than one school for the same payment period or period of enrollment.

**How is financial aid administered by the separate schools?**

Both schools need to coordinate with each other to ensure that the student's eligibility for a Stafford or Grad PLUS loan, if applicable, and the parent's eligibility for a parent PLUS loan is properly determined.

**What happens in the case where the student went to one school first and that school has already certified a loan for the student?**

If one school has already certified a loan for the student, the other school is required to take the following actions:

Eliminate the student's living costs from the cost of attendance because they were already included in the cost of attendance at the first school.

Ensure that the student does not receive loan funds in excess of the annual Stafford loan limits at that school and the total amount of loans received by the student for enrollment at both schools does not exceed the student's highest applicable annual Stafford loan limit.

Loan funds awarded at one school are not to be included as estimated financial assistance by any other school the student is attending when determining the student's loan eligibility for the same period.

**What if neither school is aware the student has simultaneously enrolled in two different schools?**

If both schools have certified Stafford loans and the student receives loans in excess of his or her highest applicable annual Stafford loan limit, the schools must coordinate with each other to adjust the student's aid package at one or both schools to eliminate the excess loan amount. If neither school is able to eliminate the excess loan amount, the excess loan amount must be reported to the lender.

**Where can I learn more about multiple school enrollments?**

Refer to “Borrower Eligibility” (Chapter 5.15) in the *Common Manual* or the *Federal Student Aid Handbook*, Volume 3, Chapter 4. Questions may also be addressed to the MGA Customer Services Unit at extension 77009.

Have a question you would like to ask? Contact Jim Peterson at extension 36944 or via email at [petersonj@michigan.gov](mailto:petersonj@michigan.gov) to submit your question or to suggest a topic you would like to see discussed in a subsequent issue of *Educational Loan Notes*.

# Calendar of Upcoming Events

## January 2007

28 - 31 MSFAA Winter Training  
Dearborn, Michigan

## February 2007

11 College Goal Sunday  
19 MGA offices closed

If you need further information or wish to submit items for the calendar, please contact Jim Peterson, Editor, at extension 36944 or via email at [petersonj@michigan.gov](mailto:petersonj@michigan.gov).